



North Carolina

Benefits From Exports

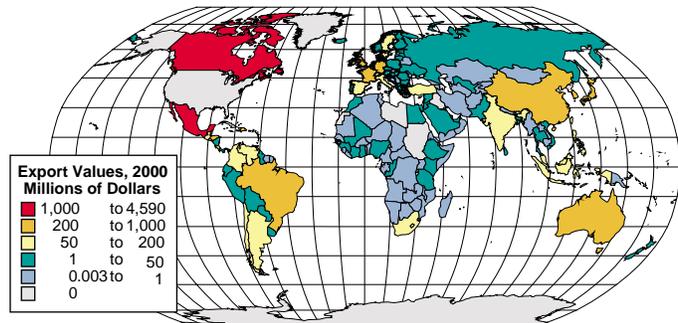
North Carolina's export sales of merchandise in 2000 totaled \$15.0 billion—a 10.3 percent increase from 1999. Over the 1993–2000 period, the state's exports grew by 88 percent—well above the 68 percent increase in total U.S. exports of goods. As a result, North Carolina in 2000 ranked 13th among the 50 states in total exports, up from 16th place in 1993.

North Carolina exports globally to 197 foreign destinations. Buoyed by the North American Free Trade Agreement (NAFTA), the state's leading markets, by far, are Canada (31 percent of 2000 exports) and Mexico (14 percent). Other top markets are the United Kingdom, Germany, Japan, Belgium, Costa Rica, Honduras, Brazil, France, and Hong Kong.

North Carolina's biggest growth markets, in dollar terms, are Canada and Mexico. From 1997 to 2000, export sales to Canada grew from \$3.7 billion to \$4.6 billion—an increase of nearly 23 percent. Exports to Mexico jumped 61 percent, rising from \$1.3 billion to \$2.1 billion. Among the state's other important growth markets are Costa Rica, the United Kingdom, Honduras, El Salvador, the Dominican Republic, Singapore, South Korea, Haiti, and Germany.

NORTH CAROLINA EXPORTED GOODS WORTH \$15.0 BILLION TO 197 FOREIGN MARKETS IN 2000

Dollar Value of North Carolina's Merchandise Exports to Foreign Markets, 2000

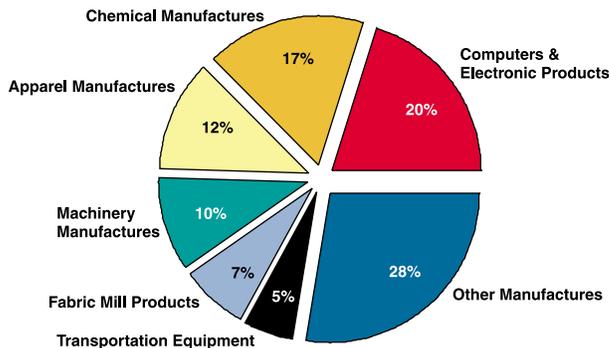


Source: U.S. Department of Commerce, Exporter Location Series.

The state's two largest export categories are computers and electronic products (19 percent of 2000 exports) and chemical manufactures (17 percent). Other top manufactured exports are apparel manufactures, machinery, fabric mill products, and transportation equipment.

Within North Carolina, three metropolitan areas generated 74 percent—roughly three-quarters—of the state's merchandise exports in 1999. The leader was Greensboro–Winston-Salem–High Point, which posted export sales of \$4.3 billion, or 32 percent of the state total. The other two top exporting metro areas were Raleigh–Durham–Chapel Hill and Charlotte–Gastonia–Rock Hill.

NORTH CAROLINA EXPORTS A WIDE RANGE OF MANUFACTURES: \$14.4 BILLION IN 2000



Note: Manufactures are a subcategory of total merchandise exports, which also include mining commodities and unprocessed agricultural products.

Source: U.S. Department of Commerce, Exporter Location Series.

Exports Support Good Jobs

Export-related jobs tend to be good, high-paying jobs. Wages of workers in jobs supported by goods exports range 13–18 percent higher than the national average. Export-related jobs are also more secure: Exporting plants are 9 percent less likely to shut down than comparable nonexporting plants.

In 1997 (latest available data), North Carolina depended on manufactured exports for 285,600 jobs—the seventh highest total among the states. Export-supported jobs

accounted for an estimated 8.9 percent of North Carolina's total private sector employment.

Manufactured exports supported 132,900 jobs—more than one out of every six workers—in North Carolina's manufacturing industries. Manufacturing sectors with the most export-related jobs were fabric mills, computers and electronic products, apparel, chemicals, and machinery.

Exports of manufactured goods also indirectly supported 152,700 jobs in the state's nonmanufacturing industries. These industries supply manufacturers with a wide range of inputs needed to produce goods for export.

Exports Help Small Business

Exports have broadly benefited North Carolina's businesses—both large and small. A total of 6,869 companies exported goods from North Carolina locations in 1998. More than 81 percent of these companies, accounting for 27 percent of the state's total merchandise exports, were small and medium-sized firms that had fewer than 500 employees. In fact, 68 percent of North Carolina's exporters were small firms with fewer than 100 workers.

Foreign Competitors Are Not Standing Still

While previous rounds of trade negotiations were highly successful in reducing trade barriers, much work remains to be done to level the playing field for U.S.

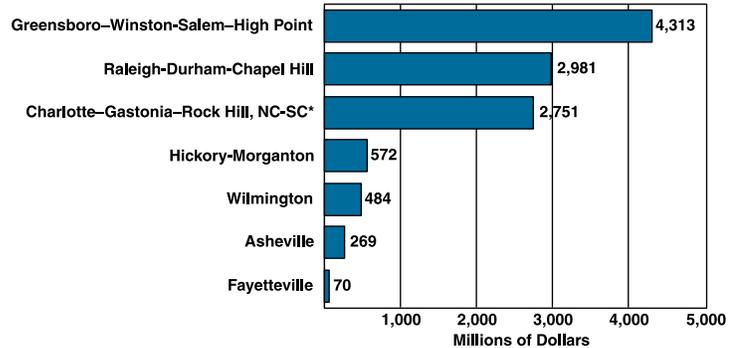
TRADE PROMOTION AUTHORITY— KEY TO OPENING WORLD MARKETS

U.S. Trade Promotion Authority (also known as TPA or "fast track") is essentially an agreement between the President and Congress on how market-opening trade negotiations will be conducted and agreements approved.

Under TPA, the President involves Congress in trade negotiations from the start; Congress, in exchange, agrees to vote yes or no on any resulting agreement in its entirety, without amendments. The two branches set negotiating objectives and consult during trade talks while inviting public comment. This open process allows problems to be identified and resolved during negotiations, when agreement is most easily achieved.

TPA preserves the ability of the United States to protect public health, safety, and the environment.

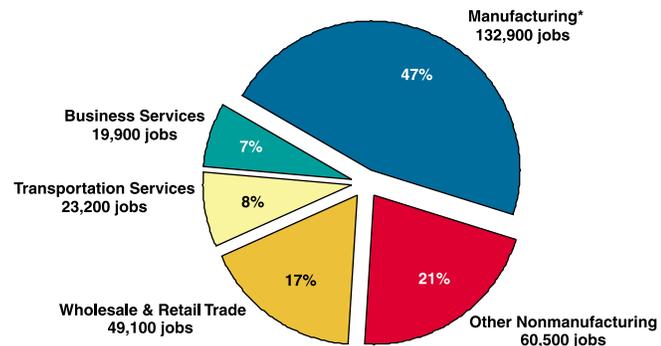
THREE NORTH CAROLINA METRO AREAS POSTED EXPORTS OF \$2 BILLION OR MORE IN 1999



*This metro area partially overlaps into an adjacent state.

Source: U.S. Department of Commerce, Exporter Location Series.

285,600 NORTH CAROLINA JOBS DEPENDED ON MANUFACTURED EXPORTS IN 1997



*Includes 2,500 jobs tied to exports of processed foods.

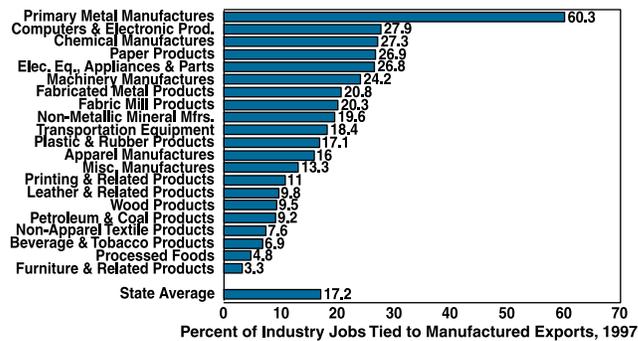
Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

businesses. In fact, the United States has fallen behind our trading partners in combating market barriers through free trade agreements. The United States is a party to just two of the estimated 130 free trade agreements in force worldwide. In comparison, the European Union has FTAs with 27 countries. Since U.S. tariffs are already low compared to those of our trading partners, the United States has a great deal to gain from future negotiations aimed at prying open foreign markets.

North Carolina Industries Can Gain From Trade Negotiations

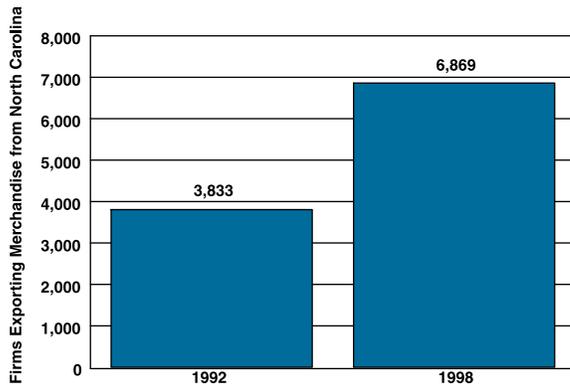
North Carolina exporters still face many tariff and nontariff barriers abroad, especially in developing countries. While developing nations are among the most promising markets, they also tend to have high levels of import protection. Trade negotiations aimed at reducing these barriers will significantly benefit North Carolina businesses across many industrial sectors.

MORE THAN ONE-SIXTH OF MANUFACTURING JOBS IN NORTH CAROLINA WERE TIED TO EXPORTS IN 1997



Note: In 1997, 17.2 percent of the 773,500 manufacturing jobs in North Carolina were tied to manufactured exports—some 132,900 jobs. For any given manufacturing sector, export-related employment includes all workers producing goods for export or of inputs to the export manufacturing process. Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

THE NUMBER OF COMPANIES EXPORTING FROM NORTH CAROLINA ROSE 79 PERCENT FROM 1992 TO 1998



Source: U.S. Department of Commerce, Exporter Data Base.

Information technology. North Carolina is the home of many high-tech industries and benefits from the Information Technology Agreement. The agreement eliminates duties on the entire IT sector in major markets throughout the world, with the exception of the larger markets of Latin America. Tariffs on IT products in key Latin American markets remain as high as 30 percent.

Beyond tariffs, IT products also face such nontariff restrictions as redundant testing and certification requirements. U.S. suppliers, including those in North Carolina, would likely see sales rise if remaining barriers on IT products were eliminated. Heavy investment in research and development, which drives IT growth and employment, can only be sustained with expanding markets that spread R&D investments over a growing sales volume. Foreign markets are thus increasingly important to any R&D-based products, given the limits of domestic demand.

Chemicals. North Carolina exports a variety of chemical products. TPA would allow the United States to build on duty reductions established under the Uruguay Round Chemical Tariff Harmonization Agreement (CTHA), which reduced tariffs to harmonized low levels on a range of products from fertilizers to plastics. Since the end of the Uruguay Round, more advanced developing countries, most of which do not participate in the CTHA, have become increasingly important chemical producers. Tariffs in Asian countries outside the CTHA range up to 60 percent. New negotiations would offer the opportunity to address tariff disparities and the many nontariff barriers facing the chemical industry.

Textiles and apparel. Substantial gains were achieved in the textiles and apparel sector during the Uruguay Round as many countries agreed to reduce tariffs and eliminate such nontariff measures as discretionary licensing systems and import bans. Although U.S. textile and apparel exports have increased by 62 percent or \$7.1 billion since the Uruguay Round, much of the growth has been attributed to NAFTA. Significant trade barriers remain, including high tariffs, excessive customs valuations, cumbersome customs procedures, burdensome labeling and marking requirements, inadequate intellectual property rights, and lack of transparent government policies. Tariff and nontariff barriers are particularly onerous in Latin American markets, which have good export potential due to their proximity.

NORTH CAROLINA: WHY TRADE PROMOTION AUTHORITY?

Trade Promotion Authority is critical for removing remaining barriers to exports of North Carolina goods and services.

North Carolina exporters still face major trade barriers in such sectors as information technology, chemicals, textiles and apparel, and household and office furniture.

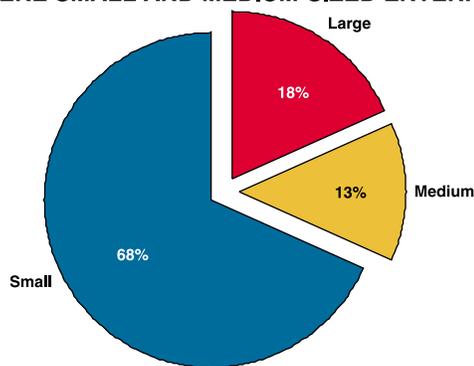
With the United States on the sidelines, foreign competitors are forging ahead and pursuing their own market-opening agreements.

North Carolina's economy is export-dependent, with export sales of \$1,860 for every state resident.

Nearly 286,000 North Carolina jobs depend on exports of manufactured goods.

6,869 companies—including 5,609 small and medium-sized businesses—export from North Carolina.

81 PERCENT OF NORTH CAROLINA'S 6,869 EXPORTING FIRMS IN 1998 WERE SMALL AND MEDIUM-SIZED ENTERPRISES



Small = less than 100 employees; medium = 100–499 employees; large = 500 or more employees.
Source: U.S. Department of Commerce, Exporter Data Base.

Household and office furniture. The North Carolina furniture industry faces high tariffs globally, which consistently prices U.S. furniture exports out of foreign markets. Tariffs in Malaysia and the Philippines, for example, are as high as 30 percent and 20 percent, respectively. Brazil and Argentina both maintain tariffs of up to 21 percent on furniture. TPA would facilitate U.S. efforts to reduce these tariffs and build on progress made in past trade negotiations. U.S. exports have grown in several key markets as a result of tariff elimination among major trading partners during the Uruguay Round, through the Canada Free Trade Agreement (CFTA), and NAFTA. Since the CFTA in 1989, U.S. exports to Canada have grown at an average annual rate of 15.8 percent. Since NAFTA in 1994, growth in furniture exports to Mexico has averaged 6.8 percent annually.

Agriculture. North Carolina produces and exports agricultural products. According to the U.S. Department of Agriculture, North Carolina's agricultural exports, including processed foods, totaled \$1.2 billion in 1999. Since 1991, the state's reliance on agricultural exports has ranged from 18 percent to 20 percent as measured by export's share of farm cash receipts. North Carolina's top agricultural exports are leaf tobacco, poultry and products, live animals and red meats, cotton, and soybeans and products. North Carolina already benefits from past trade agreements. Under NAFTA, Mexico converted its import licensing regime for chilled and frozen poultry to a transitional tariff-rate quota that will be phased out by 2003. Mexico's in-quota tariff (20 percent in 1993) on live slaughter swine, chilled/frozen pork, and hams will fall to zero by 2003. However,

U.S. agricultural exports still face high tariffs and nontariff barriers worldwide.

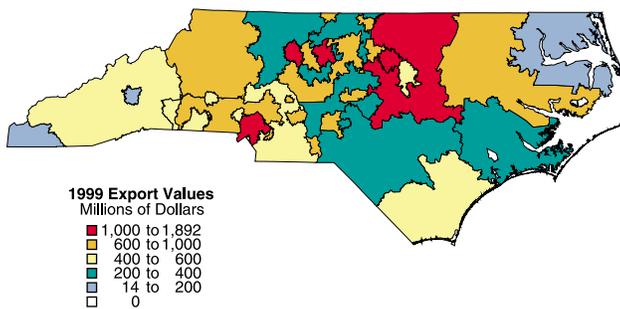
Services. Services are the biggest component of the U.S. economy and now account for more than one-fourth (28 percent) of U.S. exports to the world. Service exports in 2000 totaled \$296 billion; the United States ran a surplus of nearly \$80 billion in services trade with the world. Exportable services include transportation services (e.g., air freight), financial services (e.g., banking, insurance) and business services (e.g., engineering, architecture). Service industries confront a wide range of barriers abroad. Trade Promotion Authority will provide added impetus to the new round of global services trade negotiations now under way to dismantle these barriers.

Imports Also Important to North Carolina

While exports generate clear benefits for the North Carolina economy (jobs, wages, expanded tax base, etc.), the role of imports is less clear—especially since no import statistics are available for states on an end-user basis. Although many often equate imports with “lost” jobs, the reality is usually much more complex. For example, there is no doubt that imports supply critical inputs for many of the goods and services produced in North Carolina, including products destined for export. Imports often play a key role in ensuring supplies of vital materials that are either scarce or simply not available domestically. More generally, imports provide consumers and businesses in North Carolina with wider choice in the marketplace, thereby enhancing living standards and contributing to competitiveness.

EXPORTS ARE SOLD FROM ALL OVER NORTH CAROLINA

North Carolina's Merchandise Exports by Three-Digit Zip Code, 1999



Note: North Carolina's total merchandise exports in 1999 were \$13.6 billion. Unshaded areas represent national forests and parks, federal and military reservations, localities without exports, and areas where export data are suppressed due to federal disclosure regulations.
Source: U.S. Department of Commerce, Exporter Location Series.